



MINUTES

GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**Fourth Meeting
2004 Interim**

**LCR 1
May 18, 2004**

The fourth meeting of the Government Operations and Audit Committee was called to order by Chair Kleven at 9:00 a.m., May 18, 2004, in the Legislative Conference Room 1, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Arnold Brown, John Koskan, Marguerite Kleven, J.P. Duniphan and Garry Moore; and, Representatives Ted Klaudt, Rebekah Craddock, and Gerald Lange.

Staff Members present were Rich Hornak and Gary Hoscheid, State Government Audit Managers and Bob Christianson, Auditor IV for the Department of Legislative Audit (DLA). Annie Mehlhaff, Principal Fiscal Analyst represented the Legislative Research Council.

Approval of Minutes

Senator Duniphan moved, seconded by Representative Klaudt that the minutes of the March 15, 2004 meeting be approved. Motion prevailed unanimously on a voice vote.

Committee Correspondence

The committee reviewed committee correspondence mailed to various state agencies.

Board of Regents-Business Enterprise Institute

Gary Hoscheid updated the committee concerning the Dakota State University - Business Enterprise Institute. The committee discussed various issues surrounding the discontinuance of the Business Enterprise Institute and the creation of the new Technology Outreach Services. The committee directed that a letter be sent to the Board of Regents and Dakota State University requesting a mission statement, a copy of the goals and objectives, and a business plan for Technology Outreach Services, including the projected services; to whom those services will be provided; funding sources planned to be utilized to operate the Technology Outreach Services; the organizational structure; the staffing levels; and, a projected operating budget.

Homeland Security Federal Fund

Rich Hornak updated the committee regarding the Homeland Security Federal Grant. Tom Dravland, Secretary of the Department of Public Safety and John Berheim, Homeland Security Coordinator were present to answer committee questions. Handouts were provided by DLA.

Single Audit Report

Rich Hornak gave an overview of the Introductory, Financial, and Statistical Section of the South Dakota Single Audit Report. Gary Hoscheid covered the Schedule of Expenditures of Federal Awards and the Auditor's Reports on Internal Control and Compliance. The committee reviewed the Audit Findings, Questioned Costs and Corrective Action Plans sections of the report.

The committee requested that a copy of the South Dakota Retirement System Audit Report be provided along with the review of the Single Audit Report in future years. In response to committee questions, Rich Hornak stated that the Cement Plant Retirement Fund had 167 members receiving benefits and 220 inactive vested members at June 30, 2003.

The committee expressed concerns regarding the Department of Social Services finding No. 08000200303: The Annual Report on Households Assisted by LIHEAP (CFDA No. 93.568) contained inaccurate statistical information. This was the third consecutive audit to contain this finding. The committee requested the Department of Social Services appear before the Appropriations Committee at its interim meeting in June to inform the committee of their plans for implementing the audit recommendations.

The committee expressed concerns regarding the Department of Education finding No. 12002000301: Historical costs have not been properly recovered through user billings resulting in a deficit cash balance at the Archeological Research Center.

Senator Duniphan moved, seconded by Representative Klaudt, to request representatives from the Department of Tourism and State Development, the Department of Education and the Director of the Archeological Research Center to attend the next committee meeting to discuss the operations of the Archeological Research Center. Motion prevailed unanimously on a voice vote.

The committee expressed concerns regarding the Department of School and Public Lands finding No. 30000200301: Cash received in the amount of \$238,595 from land sales that occurred in June of 2002 was not reported by the Department of School and Public Lands (SPL) in the financial statements for fiscal year 2002, understating cash by \$238,595. Internal controls over cash received from land sales are inadequate. Rich Hornak informed the committee that a meeting with SPL and the Office of the Attorney General was scheduled for Wednesday, May 19, 2004 to address the process. The committee requested an update on the meeting.

Juvenile Corrections Monitor Update

Representative Klaudt moved, seconded by Representative Cradduck, that the committee go into Executive Session to discuss personnel issues relating to Juvenile Corrections. Motion prevailed unanimously on a voice vote. The committee went into executive session at 1:10 p.m.

Senator Brown moved, seconded by Senator Moore, to come out of Executive Session at 2:10 p.m. Motion prevailed unanimously on a voice vote.

Department of Corrections

Tim Reisch, Secretary for the Department of Corrections updated the committee on the prison construction project in Rapid City. Mr. Reisch informed the committee that the original site was contaminated with methane gas. The new site will cost \$225,000. The Department is using a temporary site until construction of the new site is completed. The temporary site holds 80-85 inmates and has 15 staff.

Secretary Reisch also testified to the committee regarding the Plankinton Training School. Cornell Corporation has opened the detention facility in Plankinton. Cornell Corporation has applied for a Residential Treatment License through the Department of Social Services. Mr. Reisch also informed the committee that the Department of Corrections is not required to place any juveniles with the Cornell Corporation. The detention center charges \$150 per day per juvenile. The detention program will handle 40 juveniles and the remaining programs will have an 80-90 bed capacity.

State Radio Usage

Otto Doll, Commissioner, Bureau of Information and Telecommunications responded to committee questions relating to the State Radio System. The committee was concerned with policies related to state radio use versus cell phone use. Mr. Doll informed the committee that the state radio system is not intended to be used in the same manner as a cell phone. He also reported to the committee that there are 10,203 state radios with 47% local government traffic. In response to committee questions, Mr. Doll stated that there was not enough money for the state radio system to cover k-12 school busses. Schools busses use radios that are on the low-band system.

Cell Phone Usage

Otto Doll, Commissioner, Bureau of Information and Telecommunications responded to committee questions relating to state employee cell phone Usage. A handout was provided by DLA. The committee directed the Department of Legislative Audit to communicate the results of their review to the state agencies involved in the review, recommending the agencies review the need for cell phones with no or low monthly usage. The committee also requested that the Senior IT committee provide the committee with regular updates on cell phone usage. Senator Koskan recommended that the Bureau of Information and Telecommunications review state radio usage versus cell phone usage to determine if cell phones are being used when the state radio system should be used. Senator Moore requested a report of long distance charges to identify if they have been reduced under the new cell phone plans. Senator Kleven read to the committee, a recommendation from Representative Gillespie that a policy be developed relating to the misuse of cell phones. Senator Duniphan suggested that policies allowing the use of cell phones for immediate family concerns should define immediate family.

Encumbrance update

Rich Hornak provided the committee with an update of FY 2003 encumbrances.

Topics for Future Meetings

Representative Craddock requested the committee start reviews of consulting contracts and space lease contracts relating to the Department of Education and the Bureau of Information and Telecommunications, in conjunction with legislative summer studies.

The committee requested information on the cost-to-date and future planned costs of the state radio system contracts.

Senator Moore requested an update on the Governor's Residence project. The update should include the status of the project, a list of pledges and the amount of cash received from the pledges.

The next regular meeting was scheduled for June 7, 2004 at 9:00 a.m. in Legislative Conference Room 1, State Capitol Building, Pierre, South Dakota.

The committee scheduled a two day meeting in Custer on September 13 and 14, 2004. The meeting will include: a tour the Juvenile Detention Center in Custer, the temporary adult corrections site and the new minimum security site; a public meeting to hear testimony from parents; and, interview staff, students and juvenile correction agents. The committee requested that parents of juveniles in custody at the juvenile facilities be notified of the meeting.

The committee adjourned the meeting at 4:00 p.m.



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